

CAPITAL PLANNING ADVISORY BOARD

Minutes of the Fifth Meeting of the 1999 Calendar Year

September 15, 1999

The fifth meeting of the Capital Planning Advisory Board (CPAB) of the 1999 calendar year was held on Wednesday, September 15, 1999 at 9:00 AM, in Room 131 of the Capitol Annex. Representative Perry Clark, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Perry Clark, Chairman; Bill Hintze, Vice-Chairman; Representative Brian Crall; Susan Clary; Glenn Mitchell (representing James Codell); Bonnie Howell; Cicely Jaracz Lambert; Norma Northern; Nick Schwendeman; Laurel True; Judge Edwin White; and Senator Ed Worley.

Guests Appearing before the Board: Senator Ed Miller, Co-Chairman, Task Force on Historic Properties; Commissioner Armond Russ, Department for Facilities Management; Aldona Valicenti, Chief Information Officer of the Commonwealth; President Gordon K. Davies and Sherron Jackson, Council on Postsecondary Education; Doug Robinson, Kentucky Information Resources Management Commission; Jim Clark, Eastern Kentucky University; President Michael B. McCall, Kentucky Community and Technical College System; President George Reid, Kentucky State University; President Ronald G. Eaglin, Morehead State University; President Kern Alexander, Tom Denton, and Dr. Dewey Yeatts, Murray State University; President James Votruba, Northern Kentucky University; President Charles Wethington, Ed Carter, and George DeBin, University of Kentucky; President John Shumaker and Mike Curtin, University of Louisville; President Gary A. Ransdell and Mark Struss, Western Kentucky University.

LRC Staff: Pat Ingram, Mary Lynn Collins, Lola Williamson Lyle, and Phillip Smith.

Mr. Hintze's motion that the minutes of the August 13 meeting be approved was seconded by Representative Crall, and approved by voice vote.

Chairman Clark introduced Senator Ed Miller to make a presentation on the report of the Task Force on Historic Properties. Senator Miller said Senate

Concurrent Resolution 95, passed by the 1998 General Assembly, established the Task Force on Historic Properties to conduct a study of state-owned historic properties and to report its findings and recommendations to the Capital Planning Advisory Board. He said the Task Force concluded that the state agencies, which are responsible for these properties, are doing a tremendous job of caring for them within the limited resources available. In order to increase and maximize the resources available for these properties, the Task Force made several recommendations. It adopted the definition used by the National Register of Historic Places and applied a standard of historical, architectural, or archaeological significance. It recommended the creation of a Historic Properties Working Group (HPWG), which would be an on-going policy-making body of all agencies involved in state-owned historic properties. The HPWG is to survey all state-owned properties at least 50 years old to identify which are historically significant, to classify them as to their historical significance and priority for maintenance requiring the expenditure of state funds, and to periodically update the inventory of historic properties. On behalf of the HPWG, the Department for Facilities Management is to provide affected state agencies with recommended changes in policies, procedures, and responsibilities related to state-owned historic property. The Department is also to seek funding from the 2000 General Assembly for the development and maintenance of a state-owned property automated database that would include information on historic property sites and be accessible via the Internet.

Chairman Clark thanked Senator Miller for his presentation, and asked if members had any questions. In response to a question from Mr. True, Mr. Hintze said he thought the recommendation for a database would only require the modification of an existing database. Ms. Howell added that the current database is also not Internet accessible.

Chairman Clark next asked CPAB Staff Administrator Pat Ingram to review the Information Items that were included in the members' folders. Ms. Ingram said the first item was information on the Board's work in the early 1990s concerning long-range planning for housing state agencies in metropolitan areas. The second item was a report from the Cabinet for Health Services concerning its re-evaluation of the condition ratings reported in July for four senior citizens centers; the re-evaluation indicated that the centers should have been reported in good, rather than fair or poor condition. The third item provided examples of facility condition categories and definitions used by the Council on Postsecondary Education, the Department of Education, and a private consulting group. The fourth item reported on the budget planning report (revenue estimates) given to the Strategic Committee on Postsecondary Education at its September 1 meeting. The fifth item transmitted information regarding the use of alternatives to

incarceration as provided by the Department of Corrections. The final item was an updated overview of the 1998-2004 capital plans reflecting all areas of state government including postsecondary education.

Chairman Clark said the Board would now begin its review of the postsecondary education capital plans which had been deferred from the July meeting (at which the other agency plans had been reviewed). He introduced Council on Postsecondary Education (CPE) President Gordon Davies to present the report of its recommendations, as requested by the Board. President Davies explained that the recommendations today were developed by the staff and have not been acted upon by the Council; the Council will meet on November 8 to make final budget recommendations to the Governor and General Assembly.

President Davies said the institutions have submitted capital projects totaling \$1.9 billion for 2000-02 and projects totaling \$2.7 billion for 2000-02 and 2002-04. This was compared to the current value of the Kentucky postsecondary education physical plant, which is approximately \$3.0 billion. President Davies said that based on the newly-developed space planning guidelines and the tight revenue situation projected for the state in 2000-02, the staff is likely to recommend to the Council that some renovation and an infrastructure project be undertaken in 2000-02 but that no new space be built in the next two years. He said there is nothing intrinsically wrong with many of the new projects being proposed by the institutions, but at this time it is probably best to invest in programs rather than in buildings. He said there will be public hearings at which the institutions will make presentations, prior to the CPE's approval of its final recommendation on November 8.

Mr. Hintze noted that the Council's timetable complicates this Board's work because the statutory deadline for submission of its statewide capital improvements plan is November 1. President Davies apologized to the Board and said the Council would be mindful of the Board's deadlines in future biennia.

President Davies then turned to his presentation and handout which had been distributed to members. He said Kentucky must enroll 80,000 more students by the year 2020 in order to reach national averages; population growth will provide a 5,000 increase, but whole new segments of Kentucky's population will also have to be reached. Enrollment targets to be reached by 2002-04 by each institution have been developed.

President Davies said it is important to graduate, not just enroll, students. In response to a question from Judge White, President Davies said 38 percent of Kentucky students who start an undergraduate career receive a degree six years

later while the national average is 48 percent in five years. He said Kentucky's college-going rate (high school students going on to college) is approximately 50 percent and the national average is about 67 percent. Representative Crall asked if there were regional differences in the state in the college-going and graduation rates and requested that information.

President Davies said three factors drive the need for space – number of students, amount of research, and number of books. He said because of recent changes (e.g., electronic databases), Kentucky has not yet developed a space guideline for libraries, but there are guidelines for classrooms, labs, etc. Looking at the guidelines compared to 1998 enrollments shows that only the University of Louisville (UL) has a space deficit; the others have surpluses. However, an institution can have enough space overall but be lacking in a specific type of space. Looking to 2004 shows that both the University of Kentucky (UK) and UL have deficits in research space because of projected growth in the level of research based on the research endowment challenge fund. The other institutions still show space surpluses in 2004, but they are smaller due to projected enrollment increases.

President Davies displayed a map showing that Kentuckians have good geographic access to postsecondary education, but the focus now is on electronic, rather than geographic, access.

President Davies outlined the staff proposed capital recommendation for 2000-02 as follows: \$30 million for a capital renewal fund, \$20 million for an equipment replacement fund, \$50 - \$70 million for renovation projects, and \$35 million for an agency bond pool. He said for 2002-04, the following new space would be fully justified: 250,000 SF of research space, each, for UK and UL, and 66,000 SF of classroom and laboratory space for Central Kentucky Technical College. President Davies said, for some projects which are partially justified, they could be built in part or in whole and let the institutions grow into them. He identified the possible renovation projects that Council staff would suggest to the Board for 2000-02 as follows: Eastern Kentucky University – Cammack and Justice Cabinet project; Kentucky State University – Hathaway; Morehead State University – Button Auditorium; Murray State University – Ordway; Northern Kentucky University – power plant (which is essential for the new buildings coming on-line); Western Kentucky University – a portion of the Thompson Complex renovation project; and Kentucky Community and Technical College System (KCTCS) – various unspecified building renovations.

President Davies said the 80,000 projected enrollment increase by 2020 includes 25,000 students at the universities; 35,000 at KCTCS, and 10,000 on

line through the Commonwealth Virtual University (CVU). Classroom space is not needed for those enrolled through the CVU; but the institutions will need another 3.0 million SF by 2020. For each biennium, this translates to 300,000 SF at a cost of \$45 - \$75 million, but it will not be an even distribution since the enrollment projections accelerate toward the end of the period.

In comparison, President Davies noted that the 1998 General Assembly authorized the construction of 1.9 million square feet of space for postsecondary education. Of the 28 authorized (new construction) projects, which totaled \$298 million, only one is currently under construction; the rest are in design.

In response to Senator Worley's comment that this situation probably needs some analysis, President Davies said it does not appear to be a matter of the institutions being derelict, but of a process that is extremely cumbersome. Senator Worley said that elsewhere across the state, other projects funded by the 1998 General Assembly are much farther along.

Mr. Hintze noted that record numbers of construction projects were authorized by the 1998 General Assembly (\$1.1 billion bond funded; \$400 million cash funded), but the administrative structure was not enhanced to deal with the large volume of projects. He said having only one of 28 projects under construction was disappointing, but there should be an avalanche of construction awards in the next year. With so many projects, there will be a need to manage the process so that the state is not competing with itself and can get good bids.

Senator Worley asked whether the delay in getting authorized projects underway was considered in the analysis of when space would be needed in the future, and said this seems to be a bigger problem in postsecondary education than in other areas of government. President Davies said lag time is not factored into the model.

Senator Worley said he believes facilities are necessary in order to offer a curriculum. President Davies said a combination of facilities and programs is essential, but it is a matter of balance and choice between various things which are good. For example, he said the nearly \$30 million annual appropriation for debt service on the approximately \$300 million of bonds authorized for 1998-2000 would have increased faculty salaries in Kentucky by 11%.

Mr. True asked whether the institutions have had any difficulty meeting the required institutional \$1 for \$1 match to access state funds in the 1998-2000 Deferred Maintenance and Government Mandates Pool. President Davies said they have met the matching requirements, but have expressed difficulty in doing

so. He said a similar match is being proposed for the Capital Renewal Fund recommended for 2000-02. President Davies noted that a CPE consultant has suggested that a base adjustment be made in the operating budgets to give each institution a percentage of the replacement value of its physical plant with funding for that percentage being continued in perpetuity; the institution would then be responsible for its own maintenance and replacement needs. That is not included in the proposed recommendations, but the Council will be made aware of the suggestion.

Chairman Clark thanked President Davies for his presentation, then asked the state's Chief Information Officer (CIO) Aldona Valicenti to comment on her recommendation regarding the postsecondary education information technology (IT) projects. Ms. Valicenti said approximately 100 IT items, totaling approximately \$114 million were submitted by postsecondary education and that her office had grouped 37 of them, identified as high value items, as Priority #7 on the list of 14 recommendations to the Board. She said the 37 were selected primarily because they support the Commonwealth Virtual University and the Commonwealth Virtual Library; they also include campus-wide network upgrades and the extension of communications capabilities to residence halls. Mr. Hintze said it appeared to him that these technology items would be a very high priority for postsecondary education relative to the Board's development of its project recommendations.

Chairman Clark thanked Ms. Valicenti for her comments, then said the Board would begin its review of the individual institutional capital plans.

Eastern Kentucky University (EKU) - Jim Clark, Vice President for Government Relations and Planning at Eastern Kentucky University, said ECU has worked with the Finance Cabinet and is pleased with the progress being made on projects authorized in the 1998-2000 budget. He said while the CPE space guidelines indicate ECU has a surplus of space, it does need a new building; the proposed new University Activity Center was the product of a comprehensive planning process and has overwhelming support from the University community. Mr. Clark said ECU's second priority is additional funding for student housing fire safety. He said ECU has 12 high rise dormitories and that bids for the facilities to be addressed this summer were higher than anticipated; if additional amounts cannot be made available from the 1998-2000 agency funds bond pool, it will take four rather than three summers to complete the entire project. Other projects in the ECU plan include conversion of an existing dormitory to an apartment-like complex to be more appealing to students, a Justice and Training facility which would bring various state and federal agencies together in a single building, expansion of the Criminal Justice Training Complex

authorized in the 1998-2000 budget, and renovation of the Cammack Building. Mr. Clark said he hoped maintenance funding in the 2000-02 budget would provide \$2 in state funds for each \$1 in institutional funds, rather than the \$1 for \$1 match as is the case in the current biennium.

Kentucky Community and Technical College System (KCTCS) – President Michael McCall noted that this is the first time KCTCS has presented a plan to the Board since it was created in 1997. He said he would first like to address Senator Worley's questions about the status of projects authorized by the 1998 General Assembly since KCTCS has 19 of the 28 projects referenced by President Davies. He said most of the projects should be underway by next summer. He said many are new projects for which sites had to be acquired and that has been done.

President McCall said KCTCS has a very broad mission to accomplish and that the capital plan involved input from 28 presidents and directors that are managing its institutions throughout the state. Additionally, at the same time KCTCS was developing its plan, the CPE was developing the space planning guidelines. He said such guidelines are needed; but in some instances, KCTCS does not fit the traditional academic model and they are working with CPE to revise and refine those aspects of the guidelines for KCTCS.

President McCall said the KCTCS plan includes five areas of priority. The first is continuation of the technology project to implement an administrative system with databases to track financial resources, human resources, and students. The second priority is maintenance and renovation of the KCTCS physical plant which is comprised of 200 buildings across the state. The third priority is construction of a new facility to consolidate the administrative offices and functions of KCTCS from multiple buildings that are leased in Frankfort and Lexington. President McCall said this would be a long-term savings to the system; assuming a 50 year building life and 3 percent annual increases, leasing costs would total \$58 million while construction would cost \$31 million over the same period. The fourth priority is the construction of phase two of projects authorized in the 1998-2000 budget. The fifth priority is additional construction projects throughout the 28 colleges across the state.

In response to Senator Worley's request that he outline the primary reasons why projects authorized in 1998 are not yet underway, President McCall noted that it has been a very complex process; land had to be acquired and community input had to be obtained on many of the projects, some of which were authorized in the budget without being specifically requested by KCTCS. Sandy Gubser, KCTCS's Vice President for Administration, said significant new funding

was available for the 1998-2000 budget and that KCTCS was identified as a key player in helping the state achieve its goals for postsecondary education relative to enrollments and serving business and industry. However, since KCTCS was a new organization, much of the planning had to be undertaken after the funding was provided. Relative to land acquisition, she added that in some locations they were seeking considerable acreage in order to be able to build a full campus in the future.

Judge White noted that the projections call for significant enrollment increases at KCTCS and asked how much new space that would require. President McCall said they are still working on determining the additional space needs for 2020.

In response to Mr. True's question, President McCall said "open laboratories," as used in the space guidelines, are those that can be reconfigured for different uses rather than only being available for a single purpose or discipline. Noting that many of the KCTCS campuses have a surplus of space overall, but a deficit of open laboratory space, Mr. True said he assumed they would not be seeking funding to construct new lab space. Ms. Gubser said the CPE space guidelines are geared to traditional academic facilities; KCTCS is working with CPE on how to deal with facilities used primarily for workforce training. She also said most of the new KCTCS proposals address needs of business and industry and/or are collaborative efforts between KCTCS and a regional university or between the community college and the technical college in the same community.

Mr. Hintze said KCTCS is the area in which the enacted capital budget differs most from the capital plan reviewed by the Board two years ago. He reiterated that some of the time involved in getting the projects underway is because of the requirement for community involvement. He also said that more progress needs to be made on the existing authorizations before considering the phase 2 projects that are proposed in the plan.

Kentucky State University (KSU) – President George W. Reid said two priorities undergird the projects in KSU's capital plan: 1) actions (renovations/modernization) necessary to maintain and improve the current level of services and 2) development of new facilities. He said projects in the plan meet the University's facilities master plan and recommendations of the US Office of Civil Rights; KSU is also developing a strategic plan to set priorities into the next century. President Reid said KSU has done well in maintaining its facilities, but does support the provision of pool funding to help meet future requirements for maintenance projects.

In response to Chairman Clark's question about why the Carver Hall project, now Priority #1, had not been listed in previous plans, Carson Smith, KSU's Vice President for Finance and Administration, said it was because of changes in technology and the re-prioritization of projects by the new president.

Morehead State University (MoSU) – President Ronald Eaglin said most of MoSU's projects are consistent with the presentation made by Dr. Davies. The first priority is Life Safety in Auxiliary Enterprise facilities to install sprinkler systems. They were installed in two facilities this summer, and 10 facilities remain to be addressed. President Eaglin said the University is working with the Governor's Office of Policy and Management in an effort to obtain additional funding authorization for this purpose in the current biennium. Noting that a Capital Renewal pool is Priority #7 for MoSU, President Eaglin said the current Deferred Maintenance pool has been very important to the institution and that he would like for the match to be \$1 of institutional funds to access \$2 of state funds. President Eaglin said a large project in the MoSU plan is a \$20 million Student Center Renovation and Addition; the University is talking with the City of Morehead and with Rowan County about planning cooperatively for this to be a combined facility with meeting rooms, etc. As much as \$6 million toward the cost might be provided by the City and County. The only new construction projects in the plan are joint ventures with KCTCS in Ashland and Hazard; the Hazard project also involves ECU in addressing the needs of southeastern Kentucky.

Mr. True commended MoSU's graduation rate as shown by information provided earlier to the Board. He asked about the demographics of the students. President Eaglin said 75 percent come from the mountains; this has not changed much over the years and is not expected to change. Most students on the Morehead campus are traditional students (18 – 23 years old) while three regional centers serve non-traditional, placebound students.

Mr. Hintze noted that MoSU's top three priorities are state funded support for life safety issues and asked what would happen, particularly regarding the student housing fire safety project, if state support is not available. President Eaglin said he has been an advocate of the state paying for the residence hall fire safety projects. The ability of MoSU to provide further support of these projects through issuing bonds is problematical; major increases in residence hall charges would be required in order to provide the necessary debt service.

Murray State University (MuSU) – President Kern Alexander reported that MuSU has completed the installation of sprinklers in all five of its high rise dormitories with housing fees having to be increased by 12 percent this year and

again next year to amortize the debt issued to cover the cost. As such, the University does not have the resources to replace the low rise dorms as had initially been planned.

President Alexander said MuSU's top priority is an Agricultural Technology Telecommunications Center. The institution has had a substantial enrollment increase, one-half of which was in the area of agriculture. Additionally, Telecommunication Systems Management has been identified as MuSU's program of distinction. President Alexander said he was surprised the CPE had listed Ordway Hall on its list of possible renovation projects for 2000-02, since a higher priority for the University is the replacement or renovation of Blackburn Science which was built in 1948. He then narrated a slide presentation showing various problems in the Blackburn building including asbestos, water leaks, and an inadequate exhaust system. Other needs identified by President Alexander were a facility to replace the current Breathitt Veterinary Laboratory in Hopkinsville and a Northwest Regional Postsecondary Education Center in Henderson. He noted that an anticipated arrangement this biennium among MuSU, the local hospital and the YMCA for a wellness/recreation facility did not materialize, so a new natatorium/wellness center is proposed in the capital plan.

Mr. Hintze asked how Ordway Hall, which is Priority #90 for MuSU, came to appear on the CPE list. President Alexander said he did not know; it is primarily office space which they would like to renovate, but it is not a high priority.

Mr. True noted that the CPE space guidelines show excess laboratory space at MuSU and asked if that is the type of space in the science building project. President Alexander said it is the same type of space, but explained that the CPE guidelines do not address quality of space. He referred to two charts distributed by MuSU staff, reflecting a recalculation which shows deficits of lab space for MuSU when quality of the facility and functional obsolescence is taken into account. Mr. True asked for information on the condition rating of the Blackburn Science Building in the CPE's facilities database.

President Davies said the CPE may have misread the MuSU capital request for the science building and would review it again in the coming months. Chairman Clark also asked for clarification of the intended matching requirements for the proposed Capital Renewal Pool; President Davies said the current proposal is for \$2 from institutional funds to match each \$1 of state funds, but they expect it to be reduced to a \$1 for \$1 match since that was the outcome of a similar proposal two years ago.

Northern Kentucky University (NKU) – President James Votruba indicated that NKU will break ground for its new science building, as authorized by the 1998 General Assembly, in October or November, with occupancy expected in 2002. He said bids for the project came in under estimates. President Votruba said NKU is the fastest growing university in Kentucky, and CPE projections indicate it will remain in that position. He said postsecondary education is undergoing an enormous transformation to being more student-centered. President Votruba said growth and development can be accelerated through partnerships with other institutions and the community and cited the following examples involving NKU – the Grant County center, the Covington-based Urban Learning Center which primarily serves economically disadvantaged students, and the Metropolitan Education and Training Services Unit (METTS) which brokers educational resources on behalf of area employers. Capital needs listed by President Votruba include projects to address infrastructure (boiler/chiller replacement, new power plant, renovation of the current science building) and new construction (a METTS facility, a new University Center, and a special events center for Northern Kentucky - the special events center would be a partnership between the campus and the community).

In response to Mr. Hintze's questions as to whether NKU intends to pursue construction of a new residence hall listed in the plan, President Votruba said that in order to recruit academically prepared and diverse students, NKU has been advised that its residence hall capacity needs to be expanded. He said creative funding strategies have been used for this purpose elsewhere, and NKU plans to explore some of those.

University of Kentucky (UK) – President Charles Wethington said he assumes there will be funding for capital projects in the 2000 General Assembly and, if so, postsecondary education should participate in that funding just like it does in the other parts of the budget that are funded by state revenues. He noted that the lack of project funding from 1991 to 1995 has led to a backlog of needs that still remain to be addressed.

Relative to the status of UK projects with state funding in the 1998-2000 budget, President Wethington said the Mechanical Engineering Building should be bid in October and the Aging/Allied Health Building should be bid soon after the first of the year; both should be in construction by June 30, 2000. The Rural Health Building approved for Hazard has been delayed; it was originally planned to be built with the Appalachian Regional Hospitals (ARH), but they have decided not to expand so the UK facility will be sited in a different location.

President Wethington said UK has a need for a Biomedical Research Building; it will take 3 ½ years to come on-line so needs to be authorized in 2000 rather than waiting until 2002. He said if this funding, which is needed to reach the goals in House Bill 1, is delayed, then the timetable for achieving the House Bill 1 goals should be delayed as well. He said each square foot of research space brings \$300 of contract and grant activity into the state. The CPE space guidelines show UK to have a surplus in the category of support space, but it is in large warehouses that are not appropriate for conversion to research space. President Wethington said UK has done its part to raise private money to match funds available through the Research Challenge Fund.

Other project needs identified by President Wethington were expansion of the Rural Health Center in Hazard; an agency-funded recreational facility (Seaton Center); Animal Science Research Space, Phase II (Pin Oak Farm in Woodford County); a Center for Pharmaceutical Science and Technology (CPST) facility at Coldstream Research Center; and expanded facilities for Lexington Community College to address enrollment increases.

Mr. Hintze explained that the state tries to limit debt to 6 percent of all state revenues when considering how much debt to issue. He noted that several of the UK projects call for agency bond supported debt and asked whether they are in a position to move forward with all of those projects if authorized. President Wethington said they are ready to proceed with a new parking structure, the Aging/Allied Health Building fit-up, and the Seaton Center project. He said he believes special consideration should be given to those projects for which the financing is already in place, just as was done for the Commonwealth Stadium expansion project in the last budget.

In response to a further question from Mr. Hintze about UK's possible purchase of Rupp Arena and the Lexington Civic Center, President Wethington said the last lease renewal contract called for UK to obtain two or three appraisals. The two appraisals obtained thus far have differed widely so a third should be completed in October. If UK decides to offer to purchase the facility at that time, authorization would be requested from the 2000 General Assembly. Currently, there is nothing in the UK plan pertaining to Rupp Arena.

In response to Chairman Clark's question, President Wethington said lack of ARH involvement will not increase the cost of the Rural Health Center project. The \$6.1 million authorization for UK was based on savings from lease payments and was never intended to provide for the entire project; thus the listing of Phase II in the capital plan for 2000-02.

Senator Worley said it is unrealistic to expect the universities to achieve the missions they have been assigned without allowing them to construct the needed facilities.

University of Louisville (UL) – President John Shumaker said UL has six residence halls; three have sprinklers and the other three will have them by the Fall 2001 semester; UL is providing the financing from agency funds.

President Shumaker said UL is on target to achieve its mission of becoming a pre-eminent metropolitan research university and a critical element in its success has been the availability of quality research space. He said the Baxter Building, authorized by the 1996 General Assembly, will be dedicated in October; and to provide more needed research space at the Health Sciences Center (HSC), the research building authorized by the 1998 General Assembly for the Belknap Campus has been relocated to the HSC campus. He said this momentum needs to continue with another research building on the HSC campus; but for 2000-02, UL is seeking authorization for a research building on the Belknap Campus. President Shumaker said this is an economic development issue and that researchers generate \$125,000 for every 700 SF of research space.

President Shumaker said another priority of UL is increasing the number of resident students on campus. Four new privately funded residence halls are being constructed. Increasing the residence capacity is being done for two reasons – to improve the graduation rate and to serve the Metropolitan College initiative that was implemented to encourage United Parcel Service (UPS) to expand in Louisville. To provide support services for the Metropolitan College students, the capital plan proposes state funding for a fieldhouse at Cardinal Park. Most of the rest of that recreational facilities complex was privately funded.

Mr. Hintze asked if the proposed projects related to the Metropolitan College were part of the agreement with UPS or whether they are enhancement in the spirit of the agreement. President Shumaker said the agreement was developed very rapidly in December 1997, and these projects evolved from continued discussion and planning since then. He said that while many in the residence halls will be for the Metropolitan College, it will not be the only source of students for that facility.

Western Kentucky University (WKU) – President Gary Ransdell said the journalism and technology building authorized by the 1998 General Assembly is in design; it is expected to be bid between January and March. He said they have been somewhat frustrated by the slow progress, but understand the backlog of

projects. WKU would like to have more leverage over architects and state projects, and may want to discuss that further at some point. President Ransdell said the regional postsecondary education center in Glasgow, which is a partnership with KCTCS, is also in design. He complimented Glasgow for its help with that project. Relative to fire safety, President Ransdell said two residence halls have been completed and five remain to have sprinklers installed over the next two summers.

President Ransdell said WKU does not seek additional space - rather to replace, renovate, and repair existing facilities. Its top priority is funding for capital renewal and life safety projects, which hopefully would be provided through a CPE pool with a \$1 for \$1 match. President Ransdell said WKU's major priority is renovation and replacement space for its science complex; science has been identified by CPE as WKU's program of distinction. He said they plan to divide the project into two phases. The first phase would be replacement of Science and Technology Hall which is a high school that was constructed in 1925 and converted for use as a science facility in 1970. The second phase would relocate occupants of Thompson Complex North and Center Wings to the new facility while that space is renovated.

Other on-campus priorities described by President Ransdell were planning funds to renovate Van Meter Hall, conversion of an auditorium into smart classrooms, phases 3 and 4 of campus electrical upgrades, and renovation of Schneider Hall (a residential facility) to become a Kentucky Academy for Math and Science for high school juniors and seniors. WKU's top off-campus priority is a joint project with KCTCS for a regional postsecondary education center in Owensboro; it would replace space which WKU leases in that community and create a workforce development initiative.

In response to a question from Mr. Hintze about the funding breakdown for the science complex project, President Ransdell said the initial phase would cost \$25 million with the remaining \$21 being needed for the second phase.

Mr. Hintze also asked President Ransdell to comment on WKU's development of an energy conservation program using performance contracting. Mark Struss, WKU's Chief Facilities Officer, explained that they are in the mid-stages of developing a Request for Proposals (RFP) and expect it to be completed in early 2000.

Chairman Clark thanked the universities for their presentations and announced the Board would break for lunch.

The meeting resumed at 1:30 p.m. Chairman Clark welcomed Joseph E. Lambert, Chief Justice of the Kentucky Supreme Court, to discuss the Judicial Branch's proposals for improvements in the state's court facilities program. Chief Justice Lambert said that while the current process has been in place for over 20 years, the problems did not become apparent until the significant increases in construction began with authorizations in the 1996-98 budget. He said one of the problems is the inadequacy of early control by the state in these projects which are proposed by local governments; he said it is imperative that the Court of Justice get involved in the process at a much earlier stage. Chief Justice Lambert then introduced Cicely Lambert, Director of the Administrative Office of the Courts (AOC), and Nick Schwendeman, AOC's General Manager for Facilities, for further presentation of the recommendations.

Ms. Lambert explained that court projects differ from those of the Executive Branch because they are partnerships between state and local government units. She said that representatives of the Judicial Branch had met together and with representatives of the Executive and Legislative Branches to discuss ways to address the various issues that have been raised with regard to court projects.

Mr. Schwendeman said that of the \$20 million in use allowance payments authorized by the 1996 and 1998 General Assemblies, 36% is within or below the authorized allowance, 7% is within 15% of the authorization, 17% will require additional funding, and 40% is for projects still in various stages of design and construction. He said the projects currently in need of additional funding include Boone, Christian, Harlan, Harrison, and possibly Warren counties. Mr. Schwendeman also noted that funding was provided in the 1998-2000 budget for two additional AOC personnel whose duties would include conducting a comprehensive assessment of current court facilities. He said only one of the positions has yet been filled, but AOC is actively recruiting to fill the other position; equipment to assist with the assessment (including a digital camera) has also been acquired.

Mr. Schwendeman next outlined statutory and other changes in the court facilities process that AOC is considering. Relative to initial planning, they are: completing, before the next six-year capital plan, a detailed analysis of all court space beginning with counties that have not had a major capital project since 1980; contracting with the National Center for State Courts (NCSC) to develop a feasibility study of space programming requirements in accordance with NCSC standards based on staffing and trends in population and caseload; presenting preliminary assessments to select counties and requesting commitment of their support for projects; and establishing priority of projects for long range planning.

Relative to project financing, Mr. Schwendeman listed the following items that are being considered: include language in revised guidelines whereby counties will advertise for architectural and financial agent services (AOC would have the right to approve the cost and contract); limiting bond terms to 20 years with exceptions only if approved by the Court Facilities Standards Committee (CFSC) and authorized by the Chief Justice; AOC and consultants (where needed) working with counties and financial agents to establish bond sale dates, determine the capitalized interest period, review debt service reserve and construction earnings accounts, and assist in increasing bond ratings; reaffirming the financial commitment of counties and state agencies to participate as an occupant in the facility; and requiring counties to participate in cost differentials between renovation of historic property and new construction and in other areas that are over and above the recommended standard.

Changes being considered in the design and construction process include: establishing criteria for evaluating the feasibility and practicality of various contracting/construction methods and regular attendance by AOC at project meetings and onsite inspections and in periodic review of the project budget and schedule.

Other recommendations being considered by the Judicial Branch include: working with NCSC to identify criteria for rural locations; establishing uniform contracts to assist counties with the selection of professional services; AOC evaluation of site selection and land purchase; identifying specifications for interior and exterior finishes, structural and mechanical systems, and fixed and moveable furniture and equipment; AOC working with consultants on various aspects of projects (e.g., assisting counties and reviewing financing plans prior to funding consideration, presenting project information to the CFSC, developing financing methods for energy savings/ADA/other improvement projects, developing a standard format to be used by financial advisors, establishing procedures to monitor and report progress on projects, developing a formalized agreement for the county's commitment to the project, developing financing plans, continuing the refinement of guidelines and procedures for court projects); reviewing current operating costs (e.g., comparing with the service provided to eventually determine if it is feasible to pay a cost per square foot, using facility management services where appropriate, recommending standards for maintenance contracts, providing for reduced payments when facilities are not maintained to an acceptable standard with AOC then contracting directly for maintenance services); providing a clear definition and understanding of space that is assigned to and paid for by AOC; including AOC as a party to the acceptance of the project as substantially complete and defining when AOC payments begin; and strengthening the role of the CFSC.

Chairman Clark complimented Mr. Schwendeman on his presentation and requested that he provide a copy for the Board to review prior to its next meeting. He then asked if members had any questions.

Mr. True asked for clarification of the 4 percent payments to the counties and the operating expense payments. Mr. Schwendeman said the 4 percent is essentially a rent payment for space where debt is not involved. If there is debt, the payment is based on true interest cost up to 8 percent, then after the debt is retired, the payment reverts to 4 percent. The operating expense amount is a separate payment.

Chief Justice Lambert said that when the constitutional amendment in 1975 created a unified court system, it became the responsibility of the counties to provide space to the Court of Justice. The rental payment was established because it was felt that since a branch of state government was occupying county property, the state should pay for the use of that space. He said the counties have become dependent on that income stream, which has no requirements attached, and are concerned when there is a proposal to build a new facility that would end that revenue. Mr. Schwendeman said that 4 percent payment for most of the older buildings is not a significant amount - 26 counties are being reimbursed less than \$1.00 per SF and 70 counties are receiving less than \$2.50 per SF.

In response to Ms. Northern's question, Mr. Schwendeman said he thought a statutory change would be required in order to put restrictions or qualifying conditions on the receipt of the 4 percent use allowance.

Mr. True asked whether the court facilities are being appropriately maintained or whether a backlog of needs is being accumulated. Mr. Schwendeman said there is a lot of deferred maintenance at the older facilities, but some of this need has been addressed in the 1990's. He said AOC has threatened to withhold operating expense payments when a facility is not adequately maintained. AOC would contract for the necessary services directly and deduct that cost from the payment to the county.

Mr. Hintze thanked the Judicial Branch representatives for presenting a detailed outline of recommendations for change. He said it is time to reexamine the ground rules for the court facilities program since it is a major component of the state's capital spending, but the basic premise that the program is based on county debt needs to be retained given the current rating atmosphere and debt capacity issues. He noted that the 1979 Special Session of the General Assembly fundamentally reformulated the approach to state capital construction; and, given

the magnitude of the recent court facilities program, it is worth considering such changes for it now.

Judge White expressed his appreciation for the help provided by AOC. He said a major issue is how to address small counties with small populations and caseloads where it is difficult to justify spending millions of dollars for a courthouse. Regional courthouses have been discussed by the Board, but there may be problems with that approach. Chief Justice Lambert said the NCSC standards seem to be excessive when dealing with small counties, especially where there are no resident judges. The standards call for a courtroom and full complement of auxiliary offices for both the circuit and the district courts. He said such duplication should not be necessary; with appropriate planning, two judges could use the same courtroom.

Judge White said he hoped the state could adopt and implement its own standards, so that counties would no longer be required to pay the NCSC for their services. Chief Justice Lambert said NCSC was brought into the process to prevent building some bad facilities as had been done in the past, but it may be appropriate to modify the state's relationship with them. Mr. Schwendeman said AOC would be working with NCSC to establish a rural standard for courthouses.

Chairman Clark said the Board would now consider proposed policy recommendations for inclusion in its *1998-2004 Statewide Capital Improvements Plan*.

The first proposed recommendation was entitled "Provide for an Adequate and On-Going Source of Revenue to Address Maintenance Needs." It read as follows:

That the Governor and General Assembly formalize a method by which state General Funds would be systematically appropriated in the biennial state budget to address the growing maintenance needs of state-owned facilities. This funding should *supplement, not supplant*, the capital construction investment income funding currently dedicated to this use by long-standing executive and legislative policy.

The Board recognizes that it may be necessary to take a phased approach in implementing this recommendation, but urges that, at a minimum, the Governor and 2000 General Assembly identify and commit to a maintenance funding goal and an approach to reaching that goal.

Mr. Hintze said due to fiscal conditions it may be difficult to do this in the 2000 General Assembly, but the recommendation addresses something the Board has talked about for a long time and is a natural outgrowth of the Board's focus on maintenance. He made a motion that the recommendation be approved. The motion was seconded by Mr. True and approved by voice vote.

The second proposed recommendation, entitled "Enhance the Role and Authority of the Department for Facilities Management," read as follows:

That the role and authority of the Department for Facilities Management, as specified in KRS 42.027, be enhanced with regard to administration of the state's physical plant. The following responsibilities should be specifically assigned to the Department: management and administration (including maintenance) of state-owned office and other buildings not related to the primary function of a state agency; development of categories and definitions for use by state agencies in evaluating and reporting the condition of their facilities, and monitoring, through the use of selective field audits, agency compliance with the use of these categories; development of a database for use by state agencies to record and track all maintenance projects completed for each state-owned agency facility; and establishment of standard and consistent policies to be used by agencies managing state-owned facilities. The Board recognizes that this recommendation may result in the need for additional staffing and funding for the Department for Facilities Management and urges that these needs be appropriately addressed in the 2000-02 budget process.

Ms. Howell said she thought this was a good recommendation in terms of stating a policy direction. However, she said a lot of work would have to be done in order to implement it relative to identifying the buildings involved, their conditions, and any funding needs and she did not feel there could be a lot of progress in that regard in the near future.

Mr. Mitchell said he supports the last three responsibilities listed for the Department for Facilities Management, but has some concerns about giving them wholesale responsibility for all state office buildings because some agencies, including the Transportation Cabinet, have the capability to manage office as well as program-related facilities. He said he sees the Department as a centralized repository for information and standards and would want to ensure that the condition data is standardized, audited, and maintained in the Department's

database. Ms. Howell said she agrees that not all office buildings need to be given to Facilities Management to maintain. Mr. Hintze asked if this could be a generalized policy, rather than a mandate.

Judge White asked whether the phrase “unless an agency can provide substantial evidence to the contrary” as stated in the background would address the concerns about which buildings should be transferred to Facilities Management. Ms. Howell suggested adding the words “with the agreement of the agency” to that portion of the recommendation. Ms. Northern suggested that, in order to avoid buildings in poor condition being dumped on Facilities Management, it might be necessary for both agencies to agree to the transfer. In response to a question posed by Judge White, Ms. Howell said it would be difficult at this time to identify all of the affected facilities in order to list them in the recommendation.

Chairman Clark asked whether Facilities Management Commissioner Armond Russ had any comments on the proposed recommendation. Commissioner Russ said some agencies, such as Transportation and Parks, have sufficient capabilities in house to maintain all of their facilities; it is the other agencies that are more focused on programs that would probably benefit most from the help Facilities Management could provide.

Ms. Howell suggested that staff look at modifying the language in the recommendation. Chairman Clark said it would be considered again at the next meeting.

The third proposed recommendation, entitled “Agency Review of Programs and Related Facilities Needs,” was as follows:

The Capital Planning Advisory Board endorses the Cabinet for Health Services’ planned review of agency programs and facilities, in conjunction with the Department for Facilities Management, and directs that the Cabinet provide periodic reports to the Board on the progress of this effort.

The Board also directs that other state agencies managing and operating facilities review their programmatic and service delivery needs and the relationship of facilities to those needs and report on the results of those reviews in accordance with a schedule to be established by the Board for 2000 and 2001. The Board also urges that, to the extent possible, agencies seek outside expertise in reviewing the condition and use of their existing facilities (e.g., from

the state's Department for Facilities Management or elsewhere), and in evaluating the use of technology in the agency's programs and service delivery (e.g., from the Office of the Chief Information Officer).

Mr. Hintze's motion, which was seconded by Mr. Mitchell, that the recommendation be approved, passed by voice vote.

The fourth proposed recommendation, entitled "Transfer Responsibility for Senior Citizens and Day Care Centers from the State," stated the following:

The Board endorses proposals by the Cabinet for Health Services (CHS) and the Cabinet for Families and Children (CFC) to transfer responsibility for maintenance and operation of the senior citizens and child day care centers, constructed with funding from the Human Services Construction Pool authorized in the 1990-92 budget, to the local entities operating those facilities.

Mr. Hintze said this is a well intended approach to have the state rid itself of the maintenance responsibility of these facilities, but he is concerned about the possibility of giving away state assets without a legislative or public policy debate on the issue, particularly since these facilities were funded using 20-year bonds that have not yet been retired. He said the recommendation has been forwarded to the state's Office of Financial Management and Economic Analysis (OFMEA) for its review. Ms. Howell said she has similar concerns about the proposed recommendation.

In response to a question from Mr. True, Mr. Hintze said bonds are used to fund grants to local governments, but they are expressly authorized for this purpose by the General Assembly. He is also concerned that some of these centers might be turned over to private non-profit organizations, not just local governments.

Mr. Hintze said he does not intend to be critical of the Cabinets' efforts and feels the correct approach is to draft legislation which would allow for the General Assembly to consider the issue. However, he is reluctant to endorse it too broadly without some refinement, particularly as it relates to potential non-governmental recipients of the facilities.

Chairman Clark suggested holding this proposed recommendation for further discussion at the next meeting. Mr. Hintze said OFMEA could be requested to provide their comments to the Board in writing prior to that meeting.

The fifth proposed recommendation, entitled “Use and Reporting of Facility-Generated Revenues for Capital Needs,” stated the following:

That entities which have authority to use facility-generated and other revenues for managing and operating a facility and to create a reserve for repair, replacement, debt service and capital improvements be required to report annually, to the Appropriations and Revenue Committee and the Capital Projects and Bond Oversight Committee, on the amount of those revenues which are used to address capital needs including deposits to the reserve for such purposes.

The Board particularly encourages these entities to establish such reserves in order to reduce the demand for state funds to address capital renewal and replacement needs and encourages those involved in the state budget process to take into account the availability of facility-generated funds when considering capital project requests for the facilities.

In response to questions about which agencies would be covered by this recommendation, Mr. Hintze said his understanding was it would apply to entities that have the statutory responsibilities and authorities as stated and that are outside the conventional budget process but seek state-funded capital improvements; they include the Kentucky Center for the Arts, the Northern Kentucky Convention Center, and entities created as a result of three new projects authorized by the 1998 General Assembly. Mr. Mitchell suggested that the report be made to the Capital Planning Advisory Board instead of to the Committees listed in the proposed recommendation. Judge White’s motion to approve the recommendation as amended was seconded by Mr. Mitchell and approved by voice vote.

The next recommendations considered related to information technology (IT); they would endorse recommendations presented by the Chief Information Officer in her report to the Board in July. The four items were as follows:

1. Establishment of a Forum for Information Technology in the General Assembly - The Office of CIO requests the Board endorse the CIO’s recommendation for the establishment of a forum for information technology in the General Assembly.

2. IT Personnel and the Impact on Successful Capital Projects
- The Office of CIO is developing approaches and specific action items related to the recruitment and retention of qualified IT personnel for state government. The CIO requests the support of the Board in these endeavors to ensure the success of the large IT projects under consideration.

3. Information Technology Funding and Life-Cycle Approach - Proactive and innovative funding approaches must be explored to support the ongoing support costs of major IT projects. The CIO requests the Board support concepts related to public-private partnerships, user charges, transaction fees and other innovative options for funding.

4. Revision of IT Capital System Definition and Threshold - The definition, dollar threshold, and reporting of capital IT systems needs to be revisited and revised as necessary to reflect the desired planning and review intent of both the Board and the Office of CIO. The CIO recommends the capital planning statute (KRS 7A.010) be amended to create a separate definition for information technology and that the estimated cost threshold for systems be raised to a minimum of \$1 million. Concurrently, the existing administrative regulation defining a system must be revised to include software, integration and IT professional services as cost elements.

Mr. True said he would urge the Board not to get involved in the first two recommendations.

Mr. Mitchell asked whether the parenthetical on Recommendation #4 means that replacement of an existing system would be exempt. Mr. Hintze said he would not support that, but the recommendation is important because it broadens the definition and adjusts the threshold for a system. He said the current definition focuses on hardware and this would address the other items needed to have a complete system.

Doug Robinson, Executive Director of the Kentucky Information Resources Management (KIRM) Commission, explained that this item is consistent with the current interpretation in which a technology refresh of items in an existing system is to be considered an operating expense rather than a capital item, but replacement of a system which includes workstations would be a capital project.

Ms. Howell said she agrees that the threshold definitely needs to be raised, but she would like to see the exact wording of the proposed statutory change. She said she is concerned about requiring software and other items to be included in a capital item because it is so difficult to define in advance what is needed and the cost. She said she would prefer more flexibility and does not know why these must be considered capital instead of operating items.

Mr. Hintze said the capital budget allows for more flexibility in the approach used to address the costs (e.g., as described in Recommendation #3). He said it is also important to consider integrated projects so there is not a risk of funding the capital item and not the operating portion and vice versa. Ms. Howell said she agrees the capital budget allows more flexibility if bonds are to be used, but the limit of a 15 percent scope increase for capital projects may not provide enough leeway since it is so difficult to estimate the cost of an information technology project.

Mr. Robinson said one area of concern is small agencies such as the Board of Nursing which has a \$1.8 million system comprised of only \$350,000 in hardware; since the current definition considers only hardware and the hardware for this system is under the \$400,000 threshold, there is no review of the project.

Chairman Clark asked for further discussion of Recommendation #1 regarding establishment of a forum for information technology in the General Assembly saying the existence of such an entity could help in understanding and addressing many IT issues. Mr. Hintze's motion to approve the recommendation was seconded by Judge White and passed by voice vote.

Chairman Clark then asked for further discussion of Recommendation #2 regarding IT personnel. Ms. Howell said she was not comfortable with the Board addressing personnel issues and moved to table the proposed recommendation. The motion was seconded by Judge White and passed by voice vote.

Mr. Hintze made a motion that Recommendation #3 regarding information technology funding and life-cycle approach be approved. He said it was important to have an entire array of procurement approaches available to deal with the acquisition of technology. The motion was seconded by Mr. True and approved by voice vote. Mr. Mitchell said alternative funding approaches may need to be considered for conventional capital projects also.

Ms. Howell made a motion that consideration of Recommendation #4 regarding the definition and threshold for a system be delayed until specific

language on the statutory change can be presented at the next meeting. The motion was seconded by Mr. Hintze and approved by voice vote.

The next proposed recommendation, entitled “Long-Range Plan for Housing State Agencies in Frankfort, ” read as follows:

The Capital Planning Advisory Board endorses the long-range plan for housing state agencies in Frankfort as presented by the Department for Facilities Management in 1998 pursuant to KRS 42.027, and recommends that the Governor and the General Assembly provide funding in the 2000-02 and subsequent state budgets to finance the renovation and new construction projects called for in that plan.

Judge White’s motion to approve the recommendation was seconded by Mr. Hintze and approved by voice vote.

The next proposed recommendation, entitled “Long-Range Plan for Housing State Agencies in Metropolitan Areas,” read as follows:

The Board recommends that the Department for Facilities Management proceed with further development of its long-range plans for housing state agencies in the metropolitan areas (e.g., Louisville, Lexington, Northern Kentucky), focusing on recommendations which would place “priority on centralization of services and coordination of service delivery systems” pursuant to the mandate of KRS 42.027.

The Board further recommends that the state implement any necessary legislative or policy changes that would permit agencies to consolidate multi-county operations into single locations which would benefit the state economically and also meet the needs of the agency’s constituents.

Mr. Mitchell asked whether the concept of centralization of services might connote having a large building and thus be in conflict with the concept of downtown revitalization and combating urban sprawl. Rep. Crall said a one-stop shop had been established in Owensboro as part of the downtown revitalization and is working.

Ms. Howell’s motion to approve the recommendation was seconded by Rep. Crall and approved by voice vote.

The next proposed recommendation, entitled "Alternatives for Addressing the Need for Additional State Prison Construction," read as follows:

That the Executive, Legislative, and Judicial Branches continue to identify and utilize alternatives to incarceration that are consistent with public safety, in order to reduce growth in the inmate population and the resulting need for the construction of additional prison facilities; and that the three branches jointly undertake a study, including the use of outside consultants, to thoroughly examine reasons for the state's actual and projected prison population increases and recommend ways to reduce the projected growth rate.

Judge White said he did not think the proposed recommendation was strong enough and that figures showing the cost of constructing enough prison beds to house the projected population should be included. This would better reflect the magnitude of the problem and show the urgency of the recommendation for a task force to examine the issues. Ms. Clary said the recommendation needs to also reference detention facilities in order to address the issue relative to juveniles. Chairman Clark suggested that staff make the requested changes in the recommendation and that it be considered again at the next meeting.

The final proposed recommendation was entitled "Budget Reserve Trust Fund." It read as follows:

That the Budget Reserve Trust Fund be funded in accordance with the provisions of KRS 48.705 and that the Governor and General Assembly not suspend these provisions in recommending and enacting future state budgets.

Mr. True's motion to approve the recommendation was seconded by Ms. Northern and approved by voice vote.

Chairman Clark asked members to submit their revised lists of 15 project recommendations to the CPAB offices by Friday, September 24. The Board's next meeting is tentatively scheduled for Tuesday, October 12.

There being no further business to come before the Board, the meeting was adjourned at 3:15.

